

## Business Essentials for State Taxpayers (B.E.S.T.)

### *Operating a Business in Alabama: Business Privilege Licenses*

Rev. 08/10/2021



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## B.E.S.T. Webinar Series Housekeeping Reminders



Everyone's lines are muted when entering the meeting. This is to prevent background noises from interrupting the presentation. Only the host is able to unmute someone.

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If you would like to ask a question about the presentation, please use the Q&A box to send a question to the presenter or a panelist. They will respond to your question(s) either during the presentation or at the end of the presentation.



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The information in this presentation is intended to be an overview. It is not a comprehensive explanation of all aspects of the subject matter, does not represent legal advice, and is not legally binding on the Department. Information regarding taxes and tax administration changes frequently and should always be confirmed through a tax professional.

Please refer to the Alabama Department of Revenue website at [revenue.alabama.gov](http://revenue.alabama.gov) for additional information.

## Purpose of this Webinar:

To inform Alabama taxpayers of the requirements and guidelines for obtaining a business privilege license for an Alabama business.

This presentation will cover:

- The definition of a business privilege license
- Who is required to have a business privilege license
- What do I need to obtain a business privilege license
- Where do I purchase a business privilege license
- How much does a business privilege license cost

## What is a business privilege license?

- A license which is required for certain businesses or professions to engage in a particular activity within the State of Alabama, as indicated in Title 40, Chapter 12, Code of Alabama 1975.
- Commonly called a business license.
- **Do not confuse a business privilege license (BPL) with the business privilege tax (BPT).** These are two separate requirements.

## BPL vs. BPT

- A business privilege license (BPL) is issued through a local county and is a fee paid by businesses for the privilege of operating a business within the state.
- A business privilege tax (BPT) is a tax administered by the State through the ADOR's Income Tax division.



## Sample State/County Business Privilege License

STATE OF ALABAMA									
CONTROL NO. 0320037548		MONTGOMERY COUNTY				LICENSE NO. 0000000			
ACCOUNT NO. 037548		ISSUED TO:				DATE ISSUED			
LICENSE YEAR <b>2019-2020</b>		KIMBERLY SIMMONS 101 S LAWRENCE STREET MONTGOMERY, AL 36104				07 08 2020			
LICENSE TYPE		BUSINESS LOCATION:				EXPIRES			
STORE LICENSE		DBA AL DEPARTMENT/REVENUE SAMPLE				September 30, 2020			
CHAIN STORE LICENSE		50 NORTH RIPLEY STREET				RENEW IN OCTOBER			
OCCUPATIONAL LICENSE <input checked="" type="checkbox"/>		MONTGOMERY, AL 36104							
SECTION	BUSINESS TYPE	LICENSE AMOUNT	FEE	PENALTY	CITATION	INTEREST	TOTAL		
000	COLLECTION AGENCIES	75.00	1.00	11.25	0.00	2.68	89.93		
TRANSFER OF LICENSE							TOTAL	89.93	
Evidence having been adduced before me that a bona fide sale of the business licensed by this certificate has been made by licensee, this license is transferred to said purchaser.							MAIL FEE	0.00	
Name of Purchaser KATHLEEN D. BAXTER State Comptroller							TOTAL WITH MAIL FEE	89.93	
Name of Issuing Authority J.C. LOVE, III Issuing Authority							REPRINT LICENSE	L3 07/08/2020 08:41AM	

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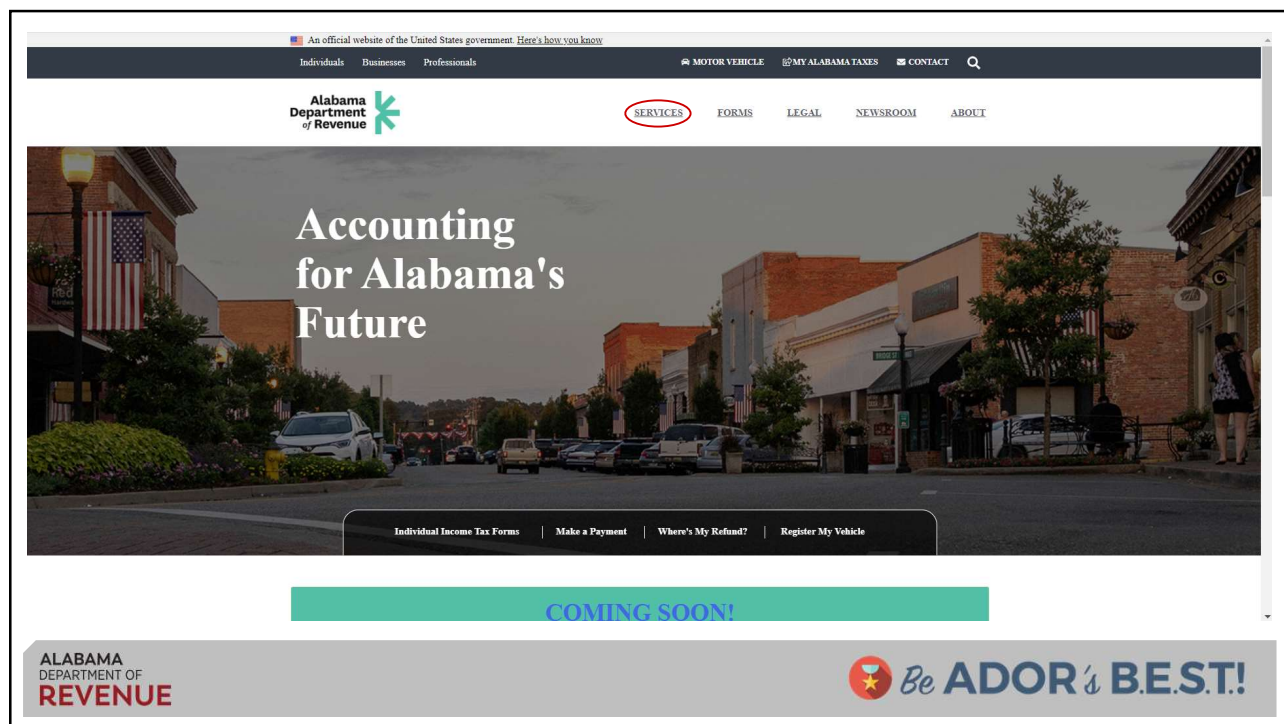
## Who is required to purchase a state/county business privilege license?

- Not all professions or businesses are required to obtain a state/county business privilege license. Please visit our webpage at <https://revenue.alabama.gov/business-license/business-licensing/> to view the Quick Reference Guide and a list of the various licenses identified by code section.
- In addition to the business privilege license, some occupations/professions such as contractors, cosmetologists, physicians, automobile dealers, etc., require a regulatory license, which may be obtained prior to securing the business license. Please check with the appropriate board for licensing requirements. Go to <http://inform.alabama.gov/agencysearch.aspx> to search for contact information.
- Persons operating a business via the Internet, such as a store, with a physical presence within Alabama, (mailing address, employees, etc.) are required to obtain the same licenses as a brick and mortar business.

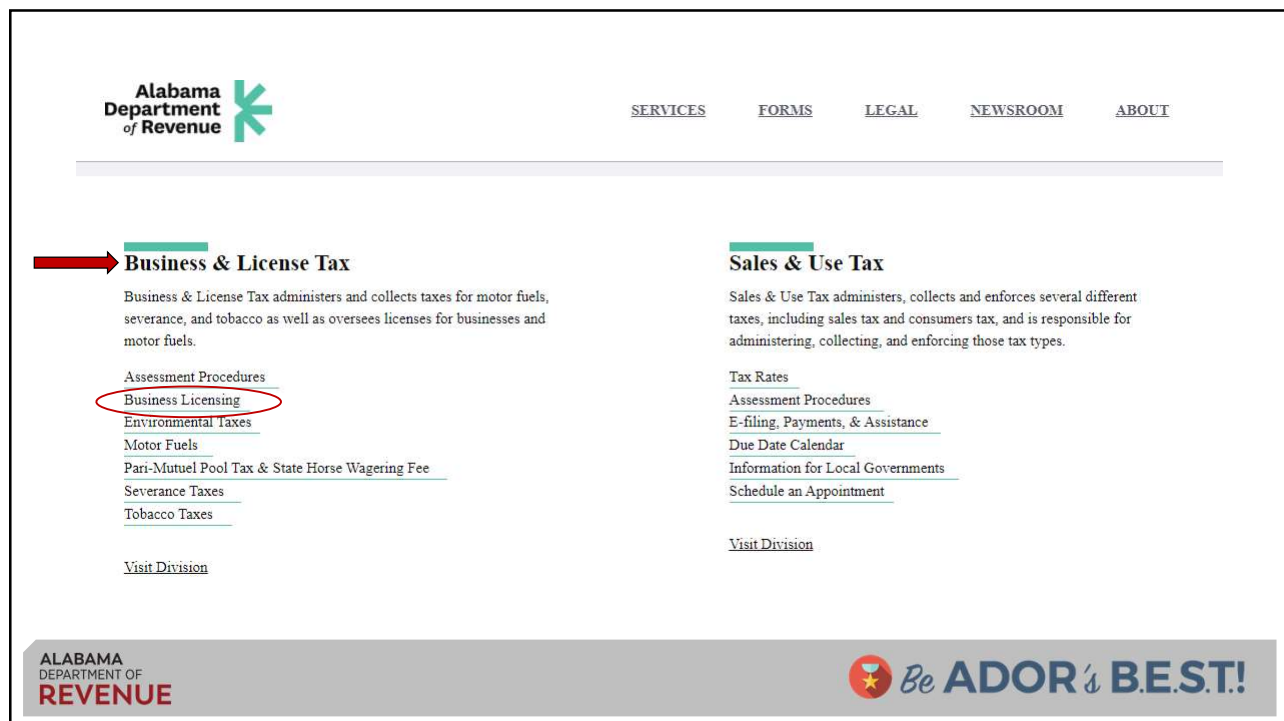
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## Business Licensing

State County business privilege licenses are issued via the local county probate offices. The local county probate offices provide new licenses, renewals of licenses, transfers of licenses, copies of licenses, and any other changes to the license. Please see the County Probate Office Directory link below for county contact information. The License Section provides guidance to the counties in administering the licenses.

### Licenses

- Business Privilege License issued by the County Probate Office or County Licensing Commission
- State License issued by the County Probate Office or County Licensing Commission
- Municipal Business License Not administered by ADOR

### Resources

- Helpful Videos
  - Business License Essentials
  - Defining Business Privilege Licenses
  - Business License Frequently Asked Questions
- Quick Reference Guide
- General Subject Index
- Handbook of Privileges & State Licenses
- ADOT Census
- Starting a New Business Booklet
- County Probate Office Directory
- Notices
- Interest Rate Factor Chart
- Forms Search

[View Business Licensing FAQ »](#)

### Atlas Alabama

A comprehensive resource for entrepreneurs and small business owners throughout the state interested in starting or expanding a small business. [Visit Site »](#)

### Laws

The taxes listed below are administered by the License Tax Section of the Business & License Tax Division.  
[Go to the Code of Alabama 12-1](#)

- General Provisions: [Title 40, Chapter 12, Article 1](#)
- Business, Location or Occupation Privilege Licenses: [Title 40, Chapter 12, Article 2](#)
- State Licenses: [Title 40, Chapter 12, Article 6](#)
- Exemption of Certain Persons: [Title 40, Chapter 12, Article 7](#)
- Business, Profession & Occupation Index: [Title 40, Chapter 12, Article 2](#)

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## Sample Page of Quick Reference Guide

### Quick Reference Guide

8/2019

Type of Business	Code Section(s) Required	Possible Code Section(s)	Additional Notes/ Possible Code Sections
Abstract Company	41		Exempt if Part of Attorney's General Practice
Acetylene Gas Manufacturers	42		
Accountants, Certified Public	71, Board of Public Accountancy		
Accountants, Public	43, Board of Public Accountancy		
Accounts Receivable Factoring	83a		
Actuaries	43		Actuaries Employed By Insurance Co. Exempt
Acupuncturist	155		
Adding Machines Sales	44, 315		
Advertising Agency	None	45, 87	
Advertising, Internet Sites	None	45	
Advertising Sign Companies	45	87	
Air Compressor-Coin Operated	176p		Air & Vacuum at Car Wash Etc.
Air Conditioning Installation	46	84	Alabama Board of Heating, Air Conditioning & Refrigeration Contractors
Air Conditioning Repairs	97		
Air Conditioning Sales	46, 315		

## Sample Page of Handbook of Privilege Store Licenses

### §40-12-41 Abstract Companies, etc.

Abstract companies and persons engaged in the business of furnishing abstracts of title shall pay the following license taxes:

City Population	License Amount	Fee	Total
100,000 or more	\$112.50	\$1.00	\$113.50
50,000 and less than 100,000	75.00	1.00	76.00
20,000 and less than 50,000	60.00	1.00	61.00
10,000 and less than 20,000	37.50	1.00	38.50
5,000 and less than 10,000	30.00	1.00	31.00
All other places whether incorporated or not	15.00	1.00	16.00

The payment of the license tax required by this section shall authorize the doing of business only in the town, city, or county where paid; provided, that this section shall not apply to regular licensed practicing attorneys who furnish abstracts as a part of their general practice.

#### Interpretations

- Licensed Attorney – If the attorney is operating an independent abstract business and holding it out as an abstract business in itself, he would be liable for the license. If he is merely making abstracts, as a part of his general law practice, he would not be liable for the license.

### §40-12-42 Acetylene Gas and Carbide Manufacturers

Each person manufacturing acetylene gas and carbide shall pay the following license tax:



## What do I need to obtain a business privilege license?

- Name/legal structure of the business, e.g., sole proprietor, partnership, LLE (limited liability entity), etc.
- Federal Employer Identification Number (FEIN) or Social Security Number (SSN).
- The type of business that you will be operating, i.e., what type of services or products will your business offer.
- A detailed description of the type of business that the company will be engaging in. For example, if opening a store, you will need to know what type of products will be sold as various items may require separate licenses (e.g., bicycles, radios, auto accessories, etc.).

## Additional information for obtaining a business privilege license:

- Multiple licenses are required when conducting business in multiple categories.
- A separate license may be required for each business location, depending on the license category.
- The licensing official may require that an application form be completed.



## Where do I purchase a state/county business privilege license?

- State/county business privilege licenses are administered through the local county office.
- Visit the local county license authority, where the business is located, to purchase the state/county business privilege license.
- Note: The name of this office may vary depending on the county. It may be the County Probate Judge, Revenue Commissioner, License Commissioner, etc.

- A list of County License Offices is available on the Alabama Department of Revenue's webpage:  
<https://revenue.alabama.gov/business-license/business-licensing/county-probate-office-directory/>.
- You may also visit <https://atlasalabama.gov/> and search the County Directory for contact information on every county in Alabama.



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- Handbook of Privileges & State Licenses
- 2016 Census
- Starting a New Business Booklet
- County Probate Office Directory
- Volunteer
- Interest Rate Factor Chart
- Forms Search

[View Business Licensing FAQ »](#)

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Go to the Code of Alabama 1251

- General Privileges Title 40, Chapter 12, Article 1
- Business, Vocational or Occupational Privilege Licenses Title 40, Chapter 12, Article 2
- Store Licenses Title 40, Chapter 12, Article 4
- Exemption of Certain Persons Title 40, Chapter 12, Article 7
- Business, Profession & Occupation Index Title 40, Chapter 12, Article 2

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An official website of the United States government. Here's how you know

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County Probate Offices Directory

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## County Probate Offices Directory

County	Address	Phone
Autauga	176 West 5th St, Prattville, 36067-3041	334-361-3730
Baldwin	P.O. Box 459 Bay Minette, 36507-0459	251-937-0260
Barbour-Clayton	P.O. Box 158 Clayton, 36016	334-775-8371
Barbour-Eufaula	303 E Broad St, Ste 101 Eufaula, 36027	334-687-7637
Bibb	8 Court Square, Ste. A Centerville, 35042	205-926-3104

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## Additional information about purchasing a business privilege license:

- If operating a chain store, all **store** licenses (Section 315) for the chain are purchased in the **home** county where the business originated (i.e., the county where the first store was opened). Other required licenses for the store are to be purchased in the **county where the business is located**.
- In addition to the state/county business privilege license, some counties impose a separate county business license fee. Check with the local county office to determine if this applies to you and your business.

- **Municipalities may also require a business license.** Check with the city or town clerk's office to determine if this applies to you and your business.
- Visit Atlas Alabama at <https://atlasalabama.gov/> to search the Municipality Directory or the Alabama League of Municipalities' website at [www.alalm.org](http://www.alalm.org) for municipal contact information.



## How much does a business privilege license cost?

- License fees vary based upon the profession and/or the location of the business.
- There is a \$1.00 issuance fee per license. Some counties have additional fees for issuance or mailing. Each county has its own procedures for the issuance of business privilege licenses.
- If the business does not begin operating until after April 1<sup>st</sup>, you may be eligible for a half-year license.

## Additional Business Privilege License Information

- Businesses are required to renew licenses during the month of October each year.
- Licenses not renewed by the due date (October 31) are subject to a non-waivable 15% penalty, plus interest.
- Licenses are nonrefundable. Purchased licenses, which are not used and/or are not needed, are not eligible for a refund unless they represent a duplicate license as evidenced by the purchase of two licenses in the same business entity name for the same license period.

- Licenses are transferable if the business is sold. The license must be transferred to the new owner at the county license office with the payment of a \$1.00 transfer fee.
- Licenses **must be displayed** in a conspicuous place at the business location and are subject to inspection by the license authorities.
- Failure to purchase/display a license, as required, may result in a citation being issued.

## *Final thoughts...*

- It is the taxpayer's responsibility to notify the county licensing official in the event that the business closes or changes locations.
- State/county business privilege licenses must be renewed during the month of October. Renewal notices are mailed as a courtesy by some counties. However, these are courtesy reminders as **there is no statutory requirement to send reminder notices.**

- **Upon receipt of the state/county business privilege license, contact the local taxing authority to determine if a municipal license is required.** Note: Some cities require a “delivery” license. Therefore, all companies which enter into their jurisdiction may be required to obtain a license. The State of Alabama does not regulate municipal licenses or county imposed licenses. Contact the county or city for any licensing requirements.
- Taxpayers should visit the Department of Revenue’s webpage at [www.MyAlabamaTaxes.Alabama.gov](http://www.MyAlabamaTaxes.Alabama.gov) to register the business with the proper tax account(s) such as sales tax, withholding, etc.

## Business & License Tax Division Contacts

<b>MOTOR FUELS SECTION 334-242-9608</b>	<b>SEVERANCE TAX SECTION 334-242-9612</b>
Gasoline Tax	Coal Severance Tax
Aviation & Jet Fuel Tax	Local Solid Minerals Tax
Diesel Fuel Tax	Oil & Gas Privilege Tax
Motor Carrier Mileage Tax	Oil & Gas Production Tax
Wholesale Oil/Import License Fee	Forest Products Severance Tax
Local Gasoline and Motor Fuel Taxes	Uniform Natural Minerals Tax
Lubricating Oil Tax	
<b>TOBACCO TAX SECTION 334-242-9627</b>	<b>ENVIRONMENTAL/OTHER TAXES 334-242-9612</b>
State Tobacco Products	Hazardous Waste
State-administered County Tobacco Taxes	Solid Waste
Master Settlement Agreement (MSA)/ Escrow Provisions	Underground and Aboveground Storage Tank Trust Fund Charge
	Scrap Tire Environmental Fee
<b>PRIVILEGE LICENSES 334-353-7827</b>	Pari-mutuel Pool Tax & State Horse Wagering Fee
Privilege License Tax	
Store Licenses	



## Taxpayer Service Centers

The Alabama Department of Revenue has nine Taxpayer Service Centers located throughout the State to assist you. Contact information for the Service Centers can be found at:

<https://revenue.alabama.gov/taxpayer-service-centers/>

## *Thank you for being ADOR's B.E.S.T.!*

B.E.S.T. Webinar presentations can be found at

<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/b-e-s-t-webinar-schedule/>

Also available are B.E.S.T. Learning Modules at

<https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/watch-modules-online/>



# *Questions?*

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